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**TOP SECRET DINAR**

SC # 88514/64

10 JUL 1964

MEMORANDUM NO. 6281-S

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MEMORANDUM FOR: [REDACTED]

SUBJECT: NIS Section 63 on  
Communist China

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REFERENCE: Memo [REDACTED] dated  
11 June 1964

NSA Declassification/Release  
NSA Declassification/Release  
Instructions on File

1. As you suspected, NIS Section 63 on Communist China, requested in the referenced memorandum, is not releasable. I checked with members of the Metals and Minerals Branch on attempting to get the portion on special steels released. Their reaction was that the information in the NIS was too old to be of much use. The NIS is dated 1959, but the cut-off date for the information contained in it is 1957.

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2. As a result, I am enclosing two substitute papers which R/MM feels will be of greater value to [REDACTED]. One is a short [REDACTED] paper entitled, Level of Alloy Steel Production in Communist China, dated 23 January 1964. The second is an unclassified paper entitled, Bloc Production of Alloy and Special Steel, dated 1 July 1964. The latter paper was prepared for a special briefing given by R/MM for which a paper at an unclassified level was required. Although it is not limited to Communist China in coverage, R/MM felt [REDACTED] might be interested.

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3. You might also want to refer [REDACTED] to a CB which was published in 1963, copies of which were sent to [REDACTED] at that time. It is CB SC 63-23, Alloy Steel Production in Communist China Continues at a Relatively High Level.

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[REDACTED]

Enclosures

Two reports, as stated in paragraph 2.

**TOP SECRET DINAR**

76. SC 08514/64

**TOP SECRET DINAR**  
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23 January 1964

### Level of Alloy Steel Production in Communist China

25X1 1. Information concerning total output of crude steel in Communist China has been lacking since 1960 and no aggregative information has ever been available on alloy and special steels. Nevertheless, some indication of the level of activity in the alloy sector of the industry during recent years can be deduced from [ ] of known alloy steel mills as well as from Chinese imports of alloying materials used in alloy steel production.

25X1 2. [ ] a relatively high level of activity at most mills known to have been significant producers of alloy steel prior to the information blackout in 1960. It is also known, however, that the proportion of alloy steel to total steel production at many of these plants was small. Therefore, merely because a plant was operating at a relatively high level [ ] would not necessarily mean a correspondingly high level of alloy steel production.

25X1 3. In the case of China, a further indication of the level of alloy steel production is the level of imports of those alloying materials that the country possesses is only very limited indigenous reserves, particularly chrome and nickel. Estimated imports of chrome, both metallurgical and refractory grades, and nickel in 1962 were at or near the 1960 level. Information for 1963 is incomplete. Using analogous western consumption data some insight into the level of alloy steel output on the mainland is possible.

4. In the US during 1962 approximately 58,000 tons of nickel, or roughly one-half of total domestic consumption, was used by the steel industry in the production of approximately 9 million tons of stainless and engineering-alloy steels and high-temperature and electrical resistance alloys. (The remaining 50 percent of US consumption of nickel in 1962 was utilized in other industrial applications, principally in the production of nonferrous alloys, cast irons, catalysts, and for electro plating.) On an average basis the quantity of nickel consumed in the steel industry relative to the amount of alloy steel produced, including stainless, in the US during 1962 therefore amounted to about 0.65 percent.

5. Known Chinese imports of nickel in terms of metal content approximated 5,000 tons in 1962, which since domestic output of nickel is believed to be negligible, probably represented the maximum amount available for consumption from current supply. Using the US nickel input figure of 0.65 percent and assuming that as in the US at least one half of the nickel supply, or 2,500 tons, was consumed by the steel industry in the

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neighborhood of 350,000 tons of alloy steel could have been produced in 1962. Such an analogy, of course, can suggest only a general order of magnitude and is subject to a considerable range of error. Unknowns include how much of the 5,000 tons of nickel was used in the alloy steel sector (no evidence of stockpiling is available) as well as how closely the 0.65 input factor corresponds with that in China. An additional unknown is what portion of the Chinese alloy steel, once produced, is of an acceptable quality. In this latter connection,

[redacted] the reject rate for alloy ingots at the Dairen Alloy Steel Mill was running about 40 percent.

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6. It should also be noted that Chinese press releases over the past two years indicate a continued priority for the production of alloy and special steels.

7. However, even though domestic output may have continued at a reasonably high level, the total supply of alloy steel available to the economy would be sharply below that of 1960. Estimated imports of finished steel products in 1962, a large portion of which consisted of alloy types, probably amounted to about 270,000 tons compared with approximately 800,000 tons in 1960.

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*[Handwritten signature]*

11 June 1964

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[Redacted]

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MEMORANDUM FOR:

[Redacted]

SUBJECT:

HIS Section 63 on Communist China

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[Redacted] has requested a copy of HIS Section 63 on Communist China. When I informed him that that particular section was controlled and might not be releasable, he said that his major interest in this HIS was the section on special steels. Thus, if the entire Section 63 is not releasable to

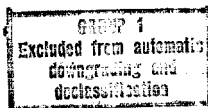
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[Redacted] would you attempt to get the portion on special steels released?

[Redacted]

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26 JUN 1964